988

CONSOLIDATED FINANCIAL STATEMENTS

of the

United States Government

Fiscal Year 1988

PROTOTYPE

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FINANCIAL MANAGEMENT SERVICE

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FINANCIAL MANAGEMENT SERVICE

DEPARTMENT OF THE TREASURY

MISSION

Promote the financial integrity of the United States Government through sound money management on behalf of the public.

BICENTENNIAL MESSAGE FROM THE SECRETARY OF THE TREASURY

The Bicentennial of the founding of the Department of the Treasury celebrates a rich history and a proud tradition of public service. The Financial Management Service (FMS) has played an important part in establishing that record.

The tasks that the men and women of the FMS accomplish are more complex than they were 200 years ago, but sound management is just as important today as it was when the Department of the Treasury was established on September 2, 1789.

Nicholas F. Brady

Contents

Secretary's Statement 3
Comptroller General's Statement 4
Introduction 5
Financial Highlights 7
Consolidated Financial Statements
- Financial Position 11
- Operations 12
- Cash Flow 13
- Receipts and Outlays 14
- Reconciliation of Accrual Operating Results to the Cash Basis Budget 15

Independent Auditors' Report 16
Notes to Financial Statements 17
Supplemental Tables
- Summary of Accounts and Loans Receivable Due From the Public 25
- Federal Debt 27
- Commitments and Contingencies 29
- Additions to Non-Federal Economic Resources 31
- Effect of Individual and Corporate Tax Benefits on Federal Revenues 33
- Open-ended Programs and Fixed Costs 34
- Federal Obligations 35

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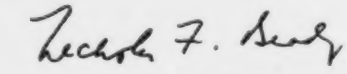
Statement of the Secretary of the Treasury

The Department of Treasury is pleased to present this set of Consolidated Financial Statements prepared by the Financial Management Service. These statements provide summary information about the financial condition and operations of the Federal Government.

Substantial progress was made during FY 1988 in improving governmentwide financial management. The Financial Management Service together with the Office of Management and Budget and the General Accounting Office continued to work with agencies to standardize financial systems and improve the electronic transmission of data. Single primary accounting systems based on standard requirements are now being used in 16 agencies. The result has been higher quality, more accurate financial data and more systems in compliance with Federal accounting standards. In fact, seven agencies are now able to issue complete departmental financial statements. Among them are the Department of Labor, Department of Veterans Affairs, General Services Administration, and Government Printing Office. Treasury will assess the need for changes in its Consolidated Financial Statements and intends to drop the prototype label by the end of FY 1989 if agency systems are in substantial compliance.

While significant strides have been made, there is still a lot more to do. We must instill a comprehensive approach to management of the Government's assets and liabilities and place a renewed emphasis on financial accountability. Our goal is to provide the public with a financial management program noted for both quality service and fiscal responsibility.



Nicholas F. Brady

Our goal is to provide the public with a financial management program noted for both quality service and fiscal responsibility.

Statement of the Comptroller General of the United States

The federal government's financial operations are the world's largest. Its annual outlays amount to almost a quarter of the country's gross national product, and its revenues are in excess of one trillion dollars. The federal government employs more than five million people, and it operates hundreds of programs. Several of these programs alone are bigger than most of the largest U.S. corporations and state governments.

Consolidated federal financial statements convey summary information about the financial condition and operations of the federal government as a whole. They provide key information to American taxpayers on how their money is spent and give the Administration and the Congress information that is useful in determining the financial implications and consequences of fiscal and economic policy decisions. The consolidated financial statements are intended to disclose the magnitude of the government's assets, liabilities and the full cost of operations and programs for the year.

Our long-term objective is to audit these consolidated financial statements and to render an opinion on their fair presentation. To achieve this, however, we must first audit the underlying agency financial statements. An ongoing program of conducting annual independent financial audits is a critical link to improving financial management in the federal government. Financial statement audits are currently being performed on most government corporations. In addition, we, the Inspector General community, and independent public accounting firms have recently audited the financial statements of several major executive departments and agencies. Others are currently being audited. Our goal is to eventually have all major departments' and agencies' financial statements audited.

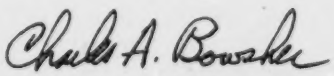
We are also continuing our efforts in monitoring the governmentwide effort to improve internal controls, the quality of which directly affects the reliability of the information in this report; and in assisting the Department of the Treasury in preparing this report by providing advice and sharing the information we've acquired through our audit efforts thus far.

Sound financial management of the federal government is critical if it is to continue to provide needed public services and enhance its citizens' future standard of living. Sound financial management depends on modern financial systems containing reliable information. Though progress has been made toward improving the quality of information, substantial additional improvements are still needed before financial statements can be produced that can withstand the scrutiny of an audit and before the prototype label can be eliminated from the consolidated financial statements. Our audits of financial statements continue to disclose that many agencies are still reporting inaccurate and unreliable information in their financial statements submitted to Treasury, primarily due to poor financial systems and weak internal controls.

Poor financial systems and weak internal controls not only affect the reliability of data provided to Treasury, but they also affect the reliability of data provided to (1) Congress and OMB for budget-reduction and other decision-making purposes, (2) agency and program managers who need reliable data to effectively and efficiently manage their operations, and (3) other external users who rely on the information reported. Improved financial systems and strong internal controls will reduce billions of dollars of wasteful spending.

However, before agencies can produce more reliable financial information, comprehensive financial management reforms will need to be implemented. Comprehensive reforms toward restructuring and rebuilding financial management systems are essential for our government to effectively serve the needs of the Congress, the executive branch, and the citizens. Modernizing federal financial management systems must embrace a number of interrelated reform actions such as improving financial accounting and reporting, enhancing internal controls, and increasing the audits of agency financial statements.

As with earlier reports of this type, we have not audited the accompanying financial statements and accordingly, we do not express an opinion on them.



Charles A. Bowsher

Introduction

This year's report supports continued efforts in the Federal sector to establish accountability of its resources. Major components of it, for the first time, are built extensively on agencies' cooperation to enhance credibility levels. The report continues to serve as a historical reference for measuring accomplishments in providing objective financial information. Highlights in 1988 include:

- The Statement of Operations was compiled directly from the reporting of Federal agencies. This represents a milestone because accrual basis data from agency reports was used for the first time.

- Gold was valued at market to assure consistency with efforts to recognize fundamental changes in the value of certain financial assets. More changes in asset valuation will follow as issues under study are debated and resolved.

- A Federal Obligations table was added to the Supplemental Tables section; supplementing cash receipts and outlay information, it highlights object class reporting which shows the firm commitment of the U.S. Government to acquire goods and services and complements the other tables in this section.

A review of the consolidation process was performed this year by an independent CPA firm, Price Waterhouse (see page 16).

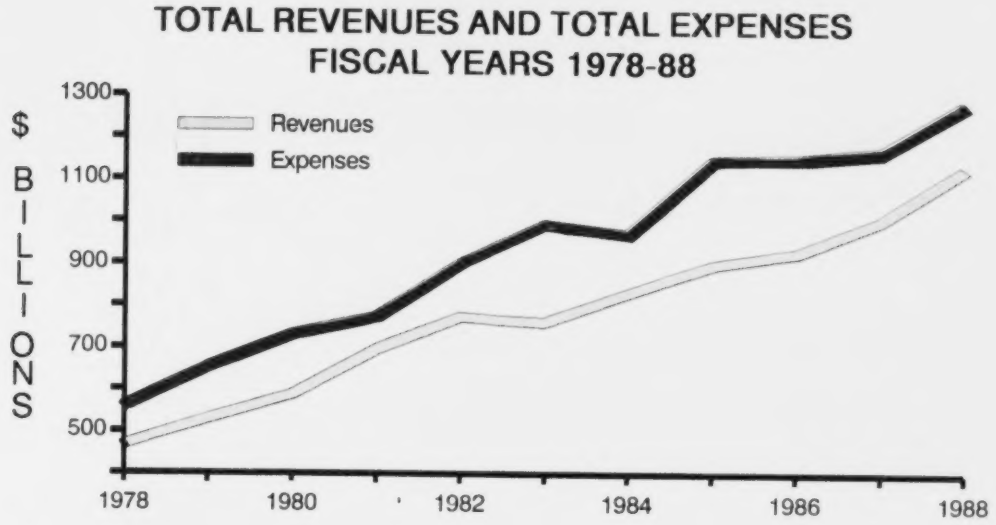
Finally, results in the FY 1988 report attest to the movement by Federal agencies to actively improve their financial accounting and reporting systems. However, the job is not yet complete. Further improvement is essential to meet the objective of total Governmentwide financial systems integration.

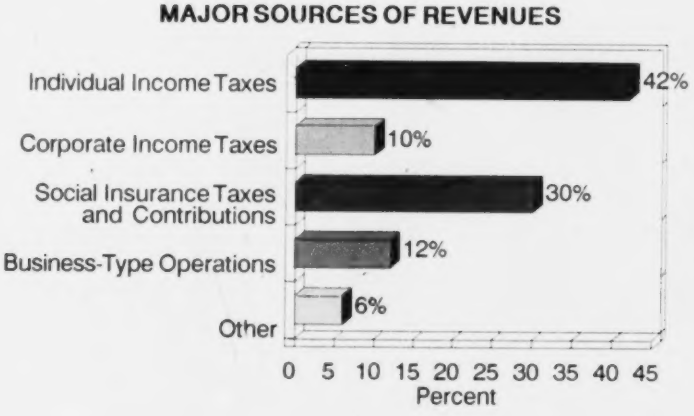
. . . a historical reference for measuring accomplishments

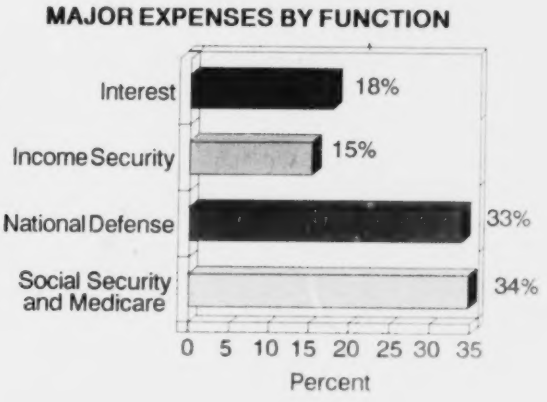
FINANCIAL HIGHLIGHTS

Revenues and expenses

The following graphs show revenues and expenses for fiscal years 1978 through 1988, and the major categories of revenues by source and expenses by function for FY 1988. These amounts, taken from the Statement of Operations, have been reported on an accrual basis and differ from those reported on the cash basis. The data supporting the graph of expenses by function have been estimated based on Treasury totals of budget outlays by function.

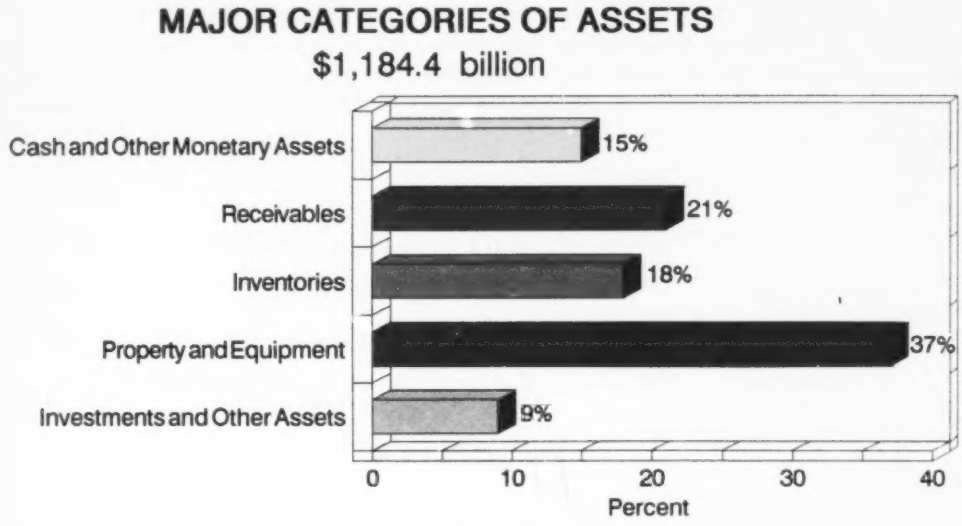






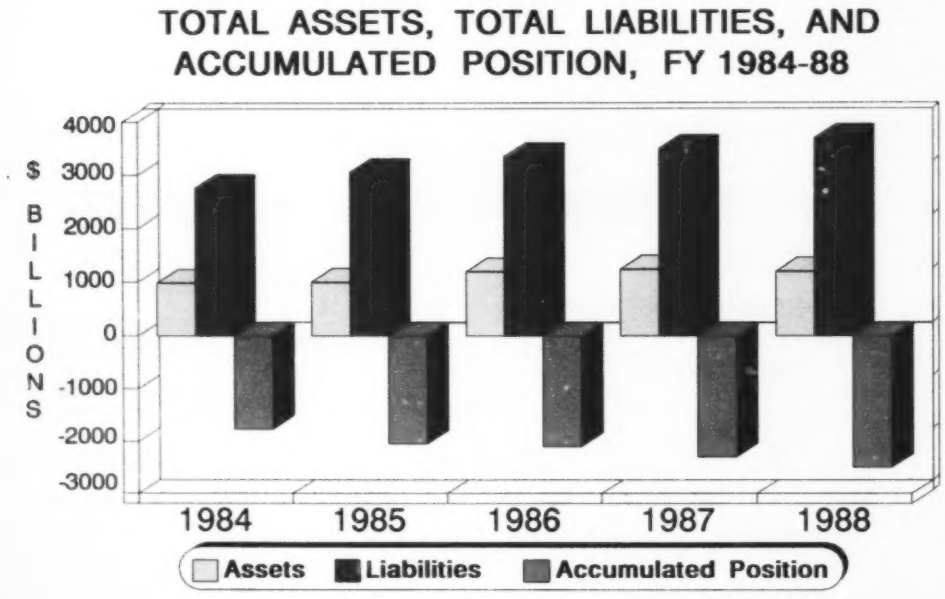
Major categories of assets

Assets are resources owned by the Federal Government that are available to pay liabilities or provide public services in the future. The following chart is derived from the Statement of Financial Position and depicts the major categories of assets for FY 1988 as a percent of total assets. The components for each of these major categories are contained in Notes to Financial Statements.



Assets, liabilities, and accumulated position

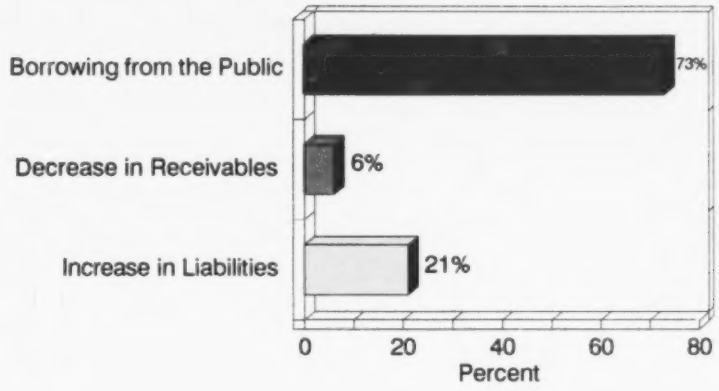
The following graph depicts the assets, liabilities, and accumulated position reported in the Statement of Financial Position for fiscal years 1984 through 1988. Fiscal years 1984 through 1986 are not restated to reflect prior-period adjustments that occurred after fiscal 1987.



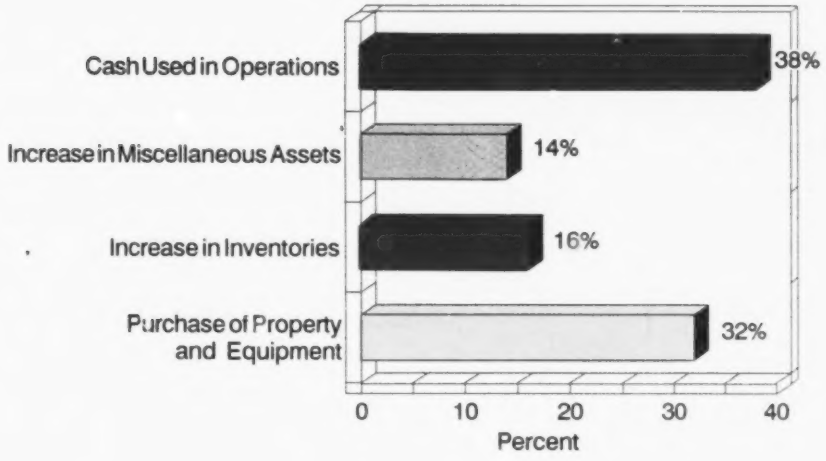
Sources and uses of funds

The charts below have been derived from the Statement of Cash Flow for FY 1988 and show the resources provided during the period and the uses to which they were put.

SOURCES OF FUNDS



USES OF FUNDS



CONSOLIDATED FINANCIAL STATEMENTS

United States Government Consolidated Statement of Financial Position as of September 30, 1988 and 1987

($ billions)

	1988	1987
Assets		
Cash	44.4	36.4
Other monetary assets	133.4	150.4
Accounts receivable, net of allowances	70.6	67.6
Advances and prepayments	16.9	7.0
Inventories, net	212.5	182.1
Investments, at face value	2.6	3.3
Loans receivable, net of allowances	179.8	194.8
Property, plant and equipment, net of accumulated depreciation	437.1	453.9
Other assets	87.1	70.1
Total assets	**1,184.4**	**1,165.6**
Liabilities		
Accounts payable	100.9	94.9
Interest payable	34.6	31.9
Accrued payroll and benefits	11.9	11.5
Unearned revenue	22.1	7.9
Debt issued under borrowing authority	2,047.8	1,906.3
Pensions and actuarial liabilities	1,257.0	1,265.0
Other liabilities	162.7	137.5
Total liabilities	**3,637.0**	**3,455.0**
Accumulated position	**-2,452.6**	**-2,289.4**

The accompanying notes are an integral part of this statement.

United States Government Consolidated Statement of Operations for the Years Ended September 30, 1988 and 1987

($ billions)

	1988	1987
Revenues		
Levied under the Government's sovereign power		
Individual income taxes	473.7	392.6
Corporate income taxes	109.7	83.9
Social insurance taxes and contributions	337.1	303.3
Excise taxes	35.3	32.5
Estate and gift taxes	7.8	7.5
Customs duties	17.9	15.0
Miscellaneous	17.5	18.0
	999.0	852.8
Earned through Government business-type operations		
Sale of goods and services	82.2	52.3
Interest	11.9	13.3
Other	36.9	51.6
Total revenues	**1,130.0**	**970.0**
Expenses by agency		
Legislative branch	1.6	1.9
Judicial branch	1.4	1.2
Executive branch		
Office of the President	21.8	24.2
Departments		
Agriculture	68.7	68.0
Commerce	2.3	2.5
Defense	322.8	262.1
Education	18.8	12.9
Energy	16.9	14.5
Health and Human Services	374.4	357.5
Housing and Urban Development	23.7	20.2
Interior	5.7	5.7
Justice	4.3	4.8
Labor	27.1	24.9
State	3.6	3.1
Transportation	26.8	9.8
Treasury	13.7	3.3
Interest on the public debt	168.9	166.2
Independent agencies	174.5	151.5
Total expenses	**1,277.0**	**1,134.3**
Excess of expenses over revenues	**-147.0**	**-164.3**

The accompanying notes are an integral part of this statement.

United States Government Consolidated Statement of Cash Flow for the Years Ended September 30, 1988 and 1987

($ billions)

	1988	1987
Uses of funds		
Excess of expenses over revenues	147.0	164.3
Less charges not requiring cash in current period:		
Depreciation	44.5	45.8
Pension and payroll benefits	7.8	5.8
Interest	6.5	5.9
Bad debts	17.8	17.5
Cash used in operations	70.4	89.3
Purchase of property and equipment (net of sales of $12.2 in 1988 and $5.3 in 1987)	59.8	165.1
Increase in inventories	30.4	-
Increase in miscellaneous assets	26.9	-
Total uses of funds	**187.5**	**254.4**
Sources of funds		
Borrowing from the public	141.5	157.2
Decrease in receivables	12.0	38.9
Decrease in inventories	-	3.2
Decrease in investments	.7	.6
Decrease in miscellaneous assets	-	52.4
Increase in liabilities	40.5	2.3
Total sources of funds	**194.7**	**254.6**
Net increase in cash and monetary assets	7.2	.2
Change in valuation of gold at market value	-16.2	-
Cash and monetary assets at beginning of year	186.8	186.6
Cash and monetary assets at end of year	177.8	186.8

The accompanying notes are an integral part of this statement.

United States Government Consolidated Statement of Receipts and Outlays as of September 30, 1988 and 1987

($ billions)

	1988			1987		
	Actual	Budget [1]	Budget [2]	Actual	Budget [3]	Budget [4]
Budget receipts						
Individual income taxes	401.2	393.4	405.2	392.6	364.0	392.8
Corporation income taxes	94.2	105.6	93.4	83.9	104.8	89.6
Social insurance taxes and contributions	334.3	331.5	335.0	303.3	301.5	301.9
Excise taxes	35.5	35.3	34.7	32.5	32.6	31.9
Estate and gift taxes	7.6	7.6	7.6	7.5	6.0	8.1
Customs duties	16.2	16.4	17.1	15.0	14.4	14.8
Miscellaneous receipts	20.0	19.4	20.4	19.3	19.1	19.4
Total budget receipts	**909.0**	**909.2**	**913.4**	**854.1**	**842.4**	**858.5**
Budget outlays						
Legislative branch	1.9	1.9	1.9	1.8	2.1	2.1
Judicial branch	1.3	1.4	1.4	1.2	1.2	1.2
Executive Office of the President	.1	.1	.1	.1	.1	.1
Funds appropriated to the President	7.3	5.2	9.4	10.4	11.8	12.2
Departments						
Agriculture	44.0	50.7	46.9	49.6	55.1	53.3
Commerce	2.3	2.5	2.5	2.2	2.4	2.5
Defense	304.0	299.6	299.6	294.6	295.1	295.0
Education	18.2	18.8	19.0	16.8	16.8	17.5
Energy	11.2	10.5	10.9	10.7	10.6	10.5
Health and Human Services	373.2	375.1	374.6	351.3	348.2	350.9
Housing and Urban Development	19.0	18.6	19.5	15.5	14.6	15.6
Interior	5.2	5.4	5.4	5.1	5.2	5.4
Justice	5.4	5.2	5.2	4.3	4.9	4.6
Labor	21.9	22.0	22.0	23.5	24.5	24.0
State	3.4	3.3	3.3	2.8	3.3	3.0
Transportation	26.4	26.3	26.1	25.4	26.2	26.8
Treasury	202.5	198.9	202.3	180.3	180.2	182.9
Independent agencies	95.3	88.1	94.4	80.7	85.2	82.5
Undistributed offsetting receipts	-78.5	-77.7	-78.7	-72.4	-71.8	-73.2
Total budget outlays	**1,064.1**	**1,055.9**	**1,065.8**	**1,003.9**	**1,015.6**	**1,016.9**
Total budget deficit	**-155.1**	**-146.7**	**-152.4**	**-149.8**	**-173.2**	**-158.4**

[1] FY 1989 Budget of the U.S. Government, released by the Office of Management and Budget on Feb. 18, 1988.

[2] Midsession review of the FY 1989 Budget, released by the Office of Management and Budget on July 28, 1988.

[3] FY 1988 Budget of the U.S. Government, released by the Office of Management and Budget on Jan. 5, 1987.

[4] Midsession review of the FY 1988 Budget, released by the Office of Management and Budget on Aug. 17, 1987.

United States Government Consolidated Statement of Reconciliation of Accrual Operating Results to the Cash Basis Budget as of September 30, 1988 and 1987

($ billions)

	1988	1987
Expenses over revenues (current period results on accrual basis)	**147.0**	164.3
Additions		
Capital outlays	72.0	129.5
Net loan disbursements	-8.0	19.0
Seigniorage	.5	.5
Total additions	**64.5**	149.0
Deductions		
Increase or decrease (-) in actuarial liabilities	-8.0	21.1
Increase or decrease (-) in allowances	-9.6	17.5
Depreciation expense	44.5	45.8
Other:		
Net accrual adjustments	43.9	-
Net agency accrual adjustments	-14.4	79.1
Total deductions	**56.4**	163.5
Reported budget outlays over receipts (cash basis)	**155.1**	149.8

Statement of Price Waterhouse

Director, Accounting Group
Financial Management Service

We are pleased to have had the opportunity to consult with the Financial Management Service (FMS) regarding the new process for preparing the 1988 Prototype U.S. Government Consolidated Financial Statements (Consolidated Financial Statements). The new process involves accumulating and consolidating financial information submitted by all of the departments and agencies that conduct and administer the Federal government's programs. At your request we have (1) read the sections of the Treasury Financial Manual and related Bulletins that govern preparation of the Consolidated Financial Statements, (2) reviewed the bases of Treasury's adjustments of information submitted by departments and agencies, (3) reviewed Treasury's procedures for identifying all Federal entities to be included in the Consolidated Financial Statements, (4) reviewed Treasury's procedures for accumulating and summarizing information submitted by departments and agencies and (5) observed Treasury's efforts to compare submitted information with other Treasury data, OMB data, GAO reports, and reports of independent accountants and consultants. This letter includes a summary of our more important observations about Treasury's financial statement preparation process.

Overall, we believe the new FMS process established for preparing the Consolidated Financial Statements is an important step forward in the efforts to improve the reliability and usefulness of the Consolidated Financial Statements. Nevertheless, we believe it is necessary to recognize that the process requires a number of significant refinements before the resulting Consolidated Financial Statements can be viewed as providing reliable financial information and the "Prototype" description is removed.

Improving the reliability of the Consolidated Financial Statements will involve (1) obtaining more accurate financial information from the departments and agencies, (2) improving some of Treasury's accumulation and report preparation practices, and (3) resolving a number of important accounting issues.

The majority of the department and agency financial information from which the Consolidated Financial Statements are derived has not been subjected to either an internal or external independent audit or review process. Such audits or reviews would provide increased assurances as to the reliability of the information submitted and its recording in accordance with appropriate accounting principles. It is our view that considerable additional effort must be put forth in improving the reliability of information submitted to Treasury by the departments and agencies.

Treasury's accumulation and summary process, while detecting many errors, does not identify all significant errors which a more detailed review process would identify and correct. In other cases, it is necessary to record significant adjustments for amounts agencies do not report. Finally, the process requires many adjustments of agency submitted information, some of which is not accompanied by adequate supporting documentation.

There continue to be a number of important accounting issues being studied by GAO, OMB, Treasury, and others, the resolution of which could have a significant effect on the Consolidated Financial Statements. For example, whether or not military hardware should be capitalized and depreciated and whether Social Security obligations should be recorded in the Consolidated Financial Statements still must be resolved.

We recognize that the matters discussed herein which affect the reliability of the Consolidated Financial Statements are not entirely within Treasury's direct control. Resolving problems associated with the quality of agency submitted information as well as important accounting issues will involve a concerted effort by the entire Federal government financial community. Nevertheless, resolution of these matters is essential to improving the reliability and usefulness of the Consolidated Financial Statements.

Because this is a consulting engagement, we did not audit or review the Consolidated Financial Statements in accordance with generally accepted auditing standards, and accordingly, we do not express an opinion or any other assurance on the 1988 Prototype U.S. Government Consolidated Financial Statements or any of its components.

June 8, 1989

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Reporting entities

The Consolidated Financial Statements include the legislative, judicial, and executive branches and federally chartered corporations.

Significant intragovernmental transactions were eliminated in consolidation.

The Federal Reserve banks and certain congressional activities are excluded, and so are Government-sponsored enterprises such as the Federal land banks because they are privately owned.

Basis of accounting policies

The Consolidated Financial Statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to the Federal Government in line with Title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies.The Statements of Financial Position, Operations, and Cash Flow are presented on the accrual basis of accounting. The Statement of Receipts and Outlays displays the budget deficit on a cash basis. The Statement of Reconciliation of Accrual Operating Results to the Cash Basis Budget presents a reconciliation of the budget deficit on the cash basis to the operating results on the accrual basis. Statements have been restated to reflect subsequent changes to the prior-year financial information. (See notes 13 and 14.)

Principal financial statements

These consist of a Statement of Financial Position, a Statement of Operations, a Statement of Cash Flow, a Statement of Receipts and Outlays, and a Statement of Reconciliation of Accrual Operating Results to the Cash Basis Budget.

Fiscal year

The fiscal year of the U.S. Government ends on September 30.

Sources of information

The fiscal 1988 Statement of Financial Position and the Statement of Operations have been compiled from agency reports required by I TFM 2-4100, Federal Agencies' Financial Reports. The Statement of Receipts and Outlays has been taken from the Monthly Treasury Statement. Selected amounts from the Treasury general ledger have been added. Certain adjustments have been made to supplement information supplied by the agencies such as other monetary assets, unearned revenue, depreciation, other assets, pensions and actuarial liabilities, other liabilities, and allowance for losses.

2. Cash

This represents deposits of tax collections, customs duties, other revenues, miscellaneous receipts, public debt receipts, and a variety of other receipts maintained in accounts at Federal Reserve banks and branches as well as in the U.S. Treasury tax and loan accounts. The Federal Reserve banks and branches act as fiscal agents for the Government by reporting transcripts on a daily basis. The tax and loan accounts refer to accounts of special depositaries in which the proceeds of certain tax payments and public debt sales are held until the funds are needed at the Federal Reserve banks and branches to meet cash disbursements from Treasury's general account.

Accounting for outlays is on the basis of checks issued and cash payments made; therefore, "Other liabilities" is credited for checks issued, until they are cleared through the Federal Reserve banks.

3. Other monetary assets (consist of the items summarized below)

	Sept. 30, 1988	Sept. 30, 1987
	($ billions)	
Gold (at market value of $397.75 per ounce as of Sept. 30, 1988, and $459.25 as of Sept. 30, 1987)	104.2	120.5
Special drawing rights	9.1	9.1
U.S. reserve position in the International Monetary Fund	9.4	10.9
Accountability for cash and other assets held outside the Treasury	8.8	8.1
Other U.S. Treasury monetary assets	1.6	1.4
Nonpurchased foreign currencies	.3	.4
	133.4	150.4

Gold

The statutory price of gold is $42.2222 per ounce. The market value has been used for FY 1988 and retroactively for FY 1987 to establish a proper basis of comparison. The market value represents the price reported for gold on the London fixing, and is based on 262,005,370.106 and 262,291,336.059 fine troy ounces as of September 30, 1988 and 1987, respectively (as reported by the Treasury general ledger).

One of the accounting issues being studied by GAO is how refined precious metals including gold should be valued in the Consolidated Statement of Financial Position. Valuing gold at market value is in accordance with acceptable accounting principles and is consistent with the current preliminary GAO position.

Special drawing rights

The value is based on a weighted average of exchange rates for the currencies of selected member countries. The value of a special drawing right was $1.29039 and $1.2766 as of September 30, 1988 and 1987, respectively.

4. Accounts and loans receivable

All receivables in the Statement of Financial Position are shown net of allowances for losses. The allowances for losses are those reported by the agencies and include certain adjustments to supplement these totals.

Summary of net accounts and loans receivable[1]

	Accounts receivable		Loans receivable	
	1988	1987	1988	1987
	($ billions)			
Beginning balance, Oct. 1	67.6	68.6	194.8	232.7
Additions to receivables	90.7	85.2	31.1	29.7
Repayments and reclassifications	-80.1	-84.8	-25.5	-64.8
Amounts written off	-7.6	-1.4	-20.6	-2.8
Ending balance, Sept. 30	70.6	67.6	179.8	194.8

[1] Excludes intragovernmental receivables.

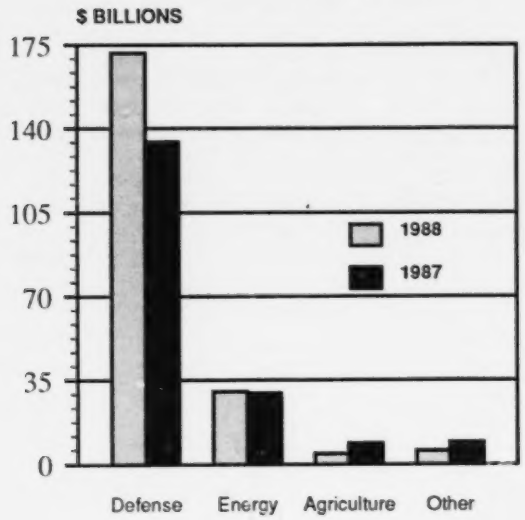
5. Inventories

	Sept. 30, 1988	Sept. 30, 1987
	($ billions)	
Operating consumables	129.9	121.3
Product or service components	46.1	14.2
Stockpiled materials	32.7	44.7
Other	3.8	1.9
	212.5	182.1

Product or service components contain amounts reported in goods-for-sale, work-in-process, and raw materials. Agencies have reported inventory totals net of allowance accounts, where appropriate.

Agencies disclosed their costing method for inventory totals. The first-in-first-out valuation method was used more often than moving or weighted averages or last-in-first-out valuations. However, the Department of Defense used the moving average valuation more often than weighted average or last-in-first-out or first-in-first-out valuations. Several agencies reported estimated inventory amounts.

INVENTORIES BY MAJOR AGENCY



6. Investments

The amount for fiscal 1988 represents agency investments in non-Federal securities and other investments. Ninety-eight percent of the total amount reported was recorded at face value.

7. Property, plant and equipment

	Sept. 30, 1988	Sept. 30, 1987
	($ billions)	
Structures, facilities and leasehold improvements	169.9	161.4
Military equipment	415.1	435.4
Equipment	68.6	69.9
Construction-in-progress	58.1	76.6
Land	11.7	11.5
Other	14.9	14.3
	738.3	769.1
Less accumulated depreciation	301.2	315.2
	437.1	453.9

"Other" includes ADP software, assets under capital lease, and other fixed assets that have been capitalized. The amounts shown for fiscal 1988 and 1987 are reported at cost.

Land purchased by the Federal Government is valued at cost. The land acquired through donation, exchange, bequest, forfeiture, or judicial process is estimated at amounts the Government would have paid if purchased at the date of acquisition.

Pending the outcome of a General Accounting Office study to determine how land and natural resources should be valued, the Outer Continental Shelf and other offshore lands and more than 662 million acres of public domain land have been assigned a minimal value of $1 per acre.

Depreciation accounting is encouraged for all depreciable fixed assets, but only business-type operations are required to report depreciation on their financial statements.

The accumulated depreciation shown in the Statement of Financial Position is estimated using the straight-line method applied to the total of reported depreciable assets. The useful lives applied to each classification of asset are:

Buildings	50 years
Structures and facilities	21 years
Ships and service craft	13 years
Industrial plant equipment	13 years
All other assets	13 years

The amounts of accumulated depreciation reported by Federal agencies on their statements for business-type operations amounted to $33.7 billion and $31.4 billion for fiscal 1988 and 1987, on assets of $99.9 billion and $105.0 billion for fiscal 1988 and 1987, respectively. The straight-line depreciation method is used more often for overall fixed assets. Capitalization policies varied greatly with thresholds in the ranges of $500 to $5,000.

The majority of agencies use a useful life range of 3-5 years for ADP software and 6-10 years for equipment. For structures and facilities, the majority of agencies use a service life greater than 16 years.

8. Other assets

Other assets reported are summarized in the following table, by agency.

	Sept. 30, 1988	Sept. 30, 1987
	($ billions)	
Treasury	23.7	22.4
U.S. Postal Service	20.5	18.5
Funds appropriated to the President	7.6	.2
Federal Savings and Loan Insurance Corp.	7.3	5.8
Defense	6.8	6.4
Other (State, Energy, Federal Deposit Insurance Corp., et al.)	21.2	16.8
Total	87.1	70.1

9. Unearned revenue

Unearned revenue is summarized in the following table, by agency.

	Sept. 30, 1988	Sept. 30, 1987
	($ billions)	
Funds appropriated to the President	11.2	-
Housing and Urban Development	5.6	4.8
U.S. Postal Service	1.7	1.5
Agriculture	1.2	.5
Energy	1.1	.2
Other	1.3	.9
Total	22.1	7.9

10. Debt issued under borrowing authority

The amount of Federal debt outstanding is reported net of unamortized premiums and discounts. The amounts reported for fiscal years 1988 and 1987 reflect a reduction for intragovernmental holdings of $566.9 billion and $450.3 billion, respectively.

Agencies also reported $12.4 billion and $6.3 billion of other debt which is included in the fiscal 1988 and 1987 amounts, respectively.

	Sept. 30, 1988		Sept. 30, 1987	
	Average interest rate (percent)	Total debt ($ bil.)	Average interest rate (percent)	Total debt ($ bil.)
Public debt				
Marketable	8.770	1,774.0	8.575	1,647.6
Nonmarketable	7.841	261.1	6.772	231.9
Other	8.830	.3	7.972	20.5
Total		2,035.4		1,900.0
Federal debt held by the public				
Current period		[1]2,047.8		1,906.3
Prior period		1,906.3		1,749.1
Net increase		141.5		157.2

[1] Includes other debt ($ billions):

	1988	1987
Agriculture Dept	-	1.0
Education Dept	-	.4
Federal Deposit Insurance Corp.	0.9	-
Federal Savings and Loan Insurance Corp	9.7	4.4
Tennessee Valley Authority	1.4	-
U.S. Postal Service	.3	.1
Veterans Administration	-	.2
Miscellaneous	.1	.2
Total	12.4	6.3

11. Pensions and actuarial liabilities

The Federal Government administers over 40 pension plans. The largest are those administered by the Office of Personnel Management for civilian employees and the Department of Defense for military personnel. These plans comprise over 93 percent of the pension liability reported at September 30, 1988. The majority of the pension plans are defined benefit plans.

The accounting for accrued pension, retirement, disability plans and annuities is subject to several different assumptions, definitions, and methods of calculation. Each of the major plans is summarized in the following.

	Sept. 30, 1988	Sept. 30, 1987
	($ billions)	
Pensions--accumulated benefits obligation		
Military personnel	457.1	446.2
Civilian employees (CSRS and FERS)	548.1	570.3
Other pension plans	71.5	75.3
Subtotal	1,076.7	1,091.8
Actuarial liabilities		
Veterans compensation	139.9	136.5
Federal employees compensation	14.1	12.7
Other benefits	26.3	24.0
Total	1,257.0	1,265.0

Military personnel and civilian employees

The liabilities under these plans represent a major portion of the unfunded liability which is to be reported under Public Law 95-595. The accrued pension liabilities at September 30 represent the actuarial present value of the accumulated plan benefits and have been calculated in accordance with instructions developed jointly by the General Accounting Office and the Office of Management and Budget under the provisions of Public Law 95-595. Periodic pension cost is, in effect, calculated by the "unit credit" method.

The latest available information for military personnel and civilian employees pensions is September 30, 1987. For fiscal 1987, data from fiscal 1986 were used.

Veterans compensation

The future liability for compensation and pension benefits represents the present value, using an 8.8-percent discount rate, of projected annual benefit payments. Projected benefit payments are based on assumed cost-of-living increases ranging from 2.6 percent to 4.0 percent for 1989 to 1993 and 2.1 percent to 4.0 percent thereafter. In addition, the mortality and accession rates used are based on trends in the current veteran population.

This calculation was not based on an independent actuarial study, and thus there is a risk that the assumptions and methods underlying it may not be reflective of actual economic and demographic trends affecting veterans.

The present value of the estimated future liability for compensation and pension benefits payable for the next 5 fiscal years and thereafter is as follows:

	($ billions)
1989	14.0
1990	12.8
1991	11.8
1992	10.8
1993	9.8
Thereafter	80.7
Total	139.9

Federal employees compensation

This amount represents the estimated future costs for approved Federal Employees' Compensation Act cases.

Other pension plans

Other annual pension reports received from plans covered by Public Law 95-595 are reported in the same manner as military personnel and civilian employees described above.

Other benefits

Other benefits consist of various items the Government is responsible for such as life insurance and health benefits for veterans and Federal employees.

The Thrift Savings Plan is a retirement savings and investment plan for Federal employees authorized by Congress in the Federal Employees' Retirement System Act of 1986. It is a defined contribution plan eligible to employees covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). The plan offers both FERS and CSRS employees tax deferral advantages. FERS employees may contribute up to 10 percent of basic pay per pay period to the plan; CSRS employees may contribute up to 5 percent of basic pay per pay period. Total individual's contributions could not exceed $7,313 in 1988. The plan was started in April 1987 and as of September 30, 1988, the total invested was over $2.0 billion.

12. Other liabilities

Other liabilities reported are summarized in the following table, by agency.

	Sept. 30, 1988	Sept. 30, 1987
	($ billions)	
Treasury	116.0	111.1
Federal Savings and Loan Insurance Corp	25.6	12.8
Federal Deposit Insurance Corp	4.5	3.0
Defense	4.9	2.0
Interior	3.2	2.0
Tennessee Valley Authority	3.0	2.3
Other	5.5	4.3
Total	162.7	137.5

13. Accumulated position

	Sept. 30, 1988	Sept. 30, 1987
	($ billions)	
Accumulated position beginning of period		-2,196.7
Accumulated position beginning of period, as restated	-2,289.4	
Current period results	-147.0	-164.3
Change in market value of gold	-16.2	
Accumulated position prior to restatement, as previously reported		-2,361.0
Restated for:		
Change in other monetary assets		95.4
Change in property, plant and equipment		.9
Change in other assets		-76.8
Change in unearned revenue		35.1
Change in pensions and actuarial liabilities		12.2
Change in other liabilities		4.8
Accumulated position end of period	-2,452.6	-2,289.4

The accumulated position represents the excess of liabilities over assets. It has been restated to reflect prior-period adjustments identified in the above table.

14. Prior-period adjustments and reclassifications

The Consolidated Financial Statements include, in fiscal 1988, adjustments to prior years' figures, which were necessary due to changes in interpreting financial information in the fiscal 1987 statements. The changes concerned the following accounts: Other monetary assets, property, plant and equipment, unearned revenue, pensions and actuarial liabilities, other assets, and other liabilities. After adjustments, a net increase of $71.6 billion affected the accumulated position for fiscal 1987.

In addition to these adjustments, amounts shown in the Statement of Operations were reclassified and adjusted to provide for more accurate amounts within each category and to enhance presentation.

15. Leases

Federal agencies were first required to provide financial information about lease commitments in 1986. Agencies are attempting to accumulate the desired lease information that is required. At September 30, 1988, the future aggregate minimum rental commitments for capital leases and noncancelable operating leases were:

	Operating leases	Capital leases
	($ billions)	
Years ending Sept. 30,--		
1989	1.2	2.4
1990	1.1	.2
1991	.9	.2
1992	.7	.2
1993	.5	.2
Thereafter	1.6	1.4
Total minimum lease payments	6.0	4.6

The majority of these lease commitments relate to building and office space rental. The current and

long-term portions of lease costs are included in accounts payable and other liabilities, respectively. Intragovernmental leasing transactions have not been eliminated or identified due to a lack of information.

Lease revenues identified on the agency statements were negligible and appear to be understated.

16. Social security

The liability equaling the amortized portion of the unfunded liability for the social security program is not included in the Statement of Financial Position. The unfunded liability is determined annually and the prior service cost is amortized over a 30-year period. As of September 30, 1988, the unfunded liability for social security is $5,739.6 billion, of which $2,596.1 billion is recorded through amortization. The amounts for September 30, 1987, are $5,580.1 billion and $2,411.7 billion, respectively. The liability represents the present value of the projected excess of future benefit payments to present participants over the contributions still to be made by the same group and their employers for the next 75 years.

The Congress and the trustees of the funds prepare estimates based on a different financing method they regard as more appropriate for social insurance programs. The following actuarial amounts are calculated on the assumption that future young workers will be covered by the program as they enter the labor force.

	Sept. 30, 1988	Sept. 30, 1987
	($ billions)	
Actuarial liabilities	15,480.0	14,983.4
Actuarial assets	14,816.0	14,605.8
Actuarial surplus or deficit (-)	-664.0	-377.6

17. Contingencies

A contingent liability is a liability involving uncertainty as to a possible loss to the Government that will be resolved when one or more future events occur or fail to occur. If the future event or events are likely to occur and the amounts can be reasonably estimated, the liabilities are reported in the Statement of Financial Position under "Other liabilities." Contingencies within the Federal Government result from a number of sources including loan and credit guarantees, insurance programs, and unadjudicated claims.

The following table shows the contingent liabilities reported in the Statement of Financial Position for losses that are likely to occur and the maximum risk of exposure that the Government has without regard to probability of occurrence and without deduction for existing and contingent assets which would be available to offset potential losses.

	Sept. 30, 1988		Sept. 30, 1987	
	Maximum risk	Liability	Maximum risk	Liability
	($ billions)			
Insurance in force	3,292.2	19.4	3,120.6	7.0
Government loan and credit guarantees	888.6	1.6	845.0	.4
Unadjudicated claims	[1]365.5	-	75.5	-
Other contingencies	23.7	-	28.9	-
		21.0		7.4

[1] Includes $304 billion due to litigation against the Dept. of Energy.

The administration estimates the total cost of protecting deposits in insolvent thrift institutions will be about $90 billion: $40 billion resulting from FSLIC's over 200 resolutions in 1988; and $50 billion to be spent over the next 3 years to resolve about 500 more institutions. An additional $24 billion will be made available over the next 10 years to the Savings Association Insurance Fund for any additional losses through 1999. Under the administration's financing plan, the industry will pay the principal on the $50 billion bond issuance when the principal comes due. To do this the industry will purchase zero coupon Treasury securities over the next 3 years that, when they mature, will equal $50 billion. The Treasury's share of the interest costs on the bonds should be about $92 billion over the life of the bonds.

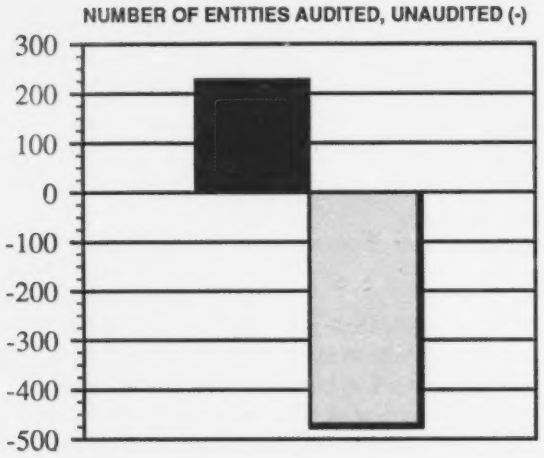
The Department of Energy is faced with a possible future liability of $95 billion to clean up nuclear waste: $90 billion to clean up the environment, extending for a period beyond the year 2010; and $5 billion to correct safety problems in nuclear facilities, extending to 2010.

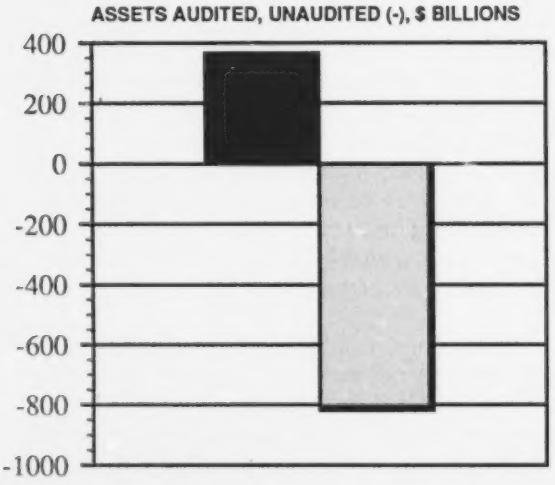
18. Audited financial statements

A review showed that approximately 31 percent of agencies' total assets were audited by the end of FY 1988. As this percent increases, the quality of the data used to prepare this report will improve proportionally as will the usefulness of the results in making financial decisions. A recap of activity from agencies audited is provided below and identifies those organizations reviewed.

Financial Quality Performance Measures

STATUS OF ENTITIES AUDITED





Entities summarized in the preceding charts as audited consisted of the following:

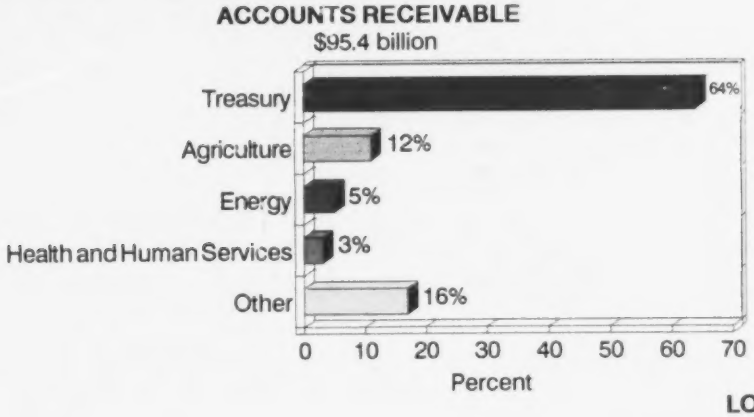
Agriculture
Housing and Urban Development
Labor
Treasury:
- Financial Management Service
- Federal Financing Bank
- Comptroller of the Currency
- Bureau of Engraving and Printing

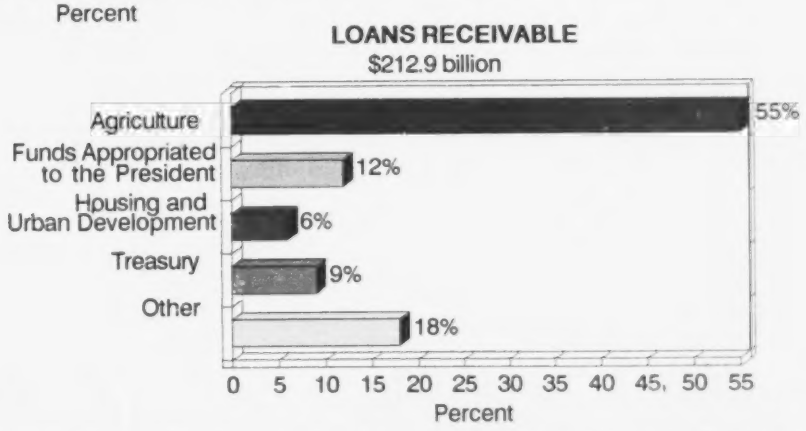
Veterans Administration
Social Security Administration
Environmental Protection Agency
General Services Administration
Government Printing Office
Independent agencies (47)

SUPPLEMENTAL TABLES

SUMMARY OF ACCOUNTS AND LOANS RECEIVABLE DUE FROM THE PUBLIC

Total accounts receivable amounted to $95.4 billion in FY 1988, an increase of $4.3 billion over FY 1987. Total loans receivable amounted to $212.9 billion in FY 1988, a decrease of $25.9 billion from FY 1987. Graphically depicted below are summaries by selected agencies of accounts and loans receivable data. Treasury accounts receivable includes IRS, 60.6 percent.





The Debt Collection Act of 1982 (31 U.S.C. 3719) requires the Director of the Office of Management and Budget, in consultation with the Secretary of the Treasury and the Comptroller General of the United States, to establish regulations requiring each agency with outstanding debts to prepare and transmit to OMB and the Treasury a report which summarizes the status of accounts and loans receivable managed by each agency. These receivables result from a wide range of Federal activities including tax assessments; sale of Government services such as satellite launchings; sale of Government goods such as natural resources from Federal lands; overpayments to annuitants; and various loan programs such as student and housing loans. The data in the reports will enable the Federal Government to improve collection activity.

The amounts in the graphs and the following tables have been summarized from the Report on Accounts and Loans Receivable Due from the Public (SF 220-9) and include some adjustments. This schedule reflects all receivables reported by Federal agencies.

Accounts and Loans Receivable by Agency

($ billions)

	Accounts receivable		Loans receivable	
	1988	1987	1988	1987
Legislative branch	*	*	-	-
Executive branch				
Funds appropriated to the President	1.5	2.1	24.5	22.3
Departments				
Agriculture	10.9	10.0	117.5	126.4
Commerce	.1	.1	.6	.8
Defense	1.7	1.5	1.8	*
Education	.5	.6	7.0	6.3
Energy	4.3	2.3	.1	*
Health and Human Services	3.2	3.1	.8	.7
Housing and Urban Development	1.2	3.6	13.4	29.4
Interior	2.2	2.1	.2	.7
Justice	.8	.6	*	-
Labor	1.6	3.6	*	*
State	*	*	*	*
Transportation	.1	.1	1.7	2.0
Treasury	[1] 61.0	55.6	19.0	22.2
Veterans Administration	3.0	2.4	2.2	2.4
Other independent agencies	3.3	3.4	24.1	25.6
Gross receivables	95.4	91.1	212.9	238.8
Less allowances for losses	24.8	23.5	33.1	44.0
Net receivables due from the public	70.6	67.6	179.8	194.8

Aging Schedule of Accounts and Loans Receivable as of September 30, 1988

	Accounts receivable ($ bil.)	Percent delinquent	Loans receivable ($ bil.)	Percent delinquent
Delinquent				
1-30 days	5.3	7.4	0.5	3.4
31-60 days	2.9	4.1	.3	1.7
61-90 days	2.1	3.0	.3	1.6
91-180 days	7.5	10.6	.7	4.2
181-360 days	9.5	13.4	2.8	17.3
Over 360 days	43.8	61.5	11.7	71.8
Total delinquent	71.1	100.0	16.3	100.0
Not delinquent	15.2		22.7	
Noncurrent receivables	9.1		173.9	
Total gross receivables	95.4		212.9	

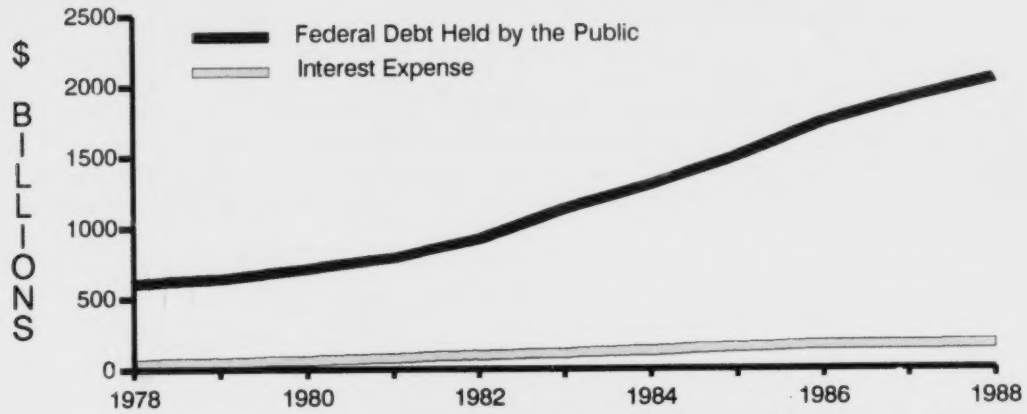
* Less than $50 million.

[1] Totals reported by the Internal Revenue Service for gross delinquent taxes for fiscal 1988 and 1987 were $56.6 billion and $51.2 billion, respectively.

FEDERAL DEBT

Total Federal debt held by the public amounted to $2,047.8 billion in FY 1988, an increase of $141.5 billion from FY 1987. This chart has been presented to graphically show the increase in Federal debt and the interest expense.

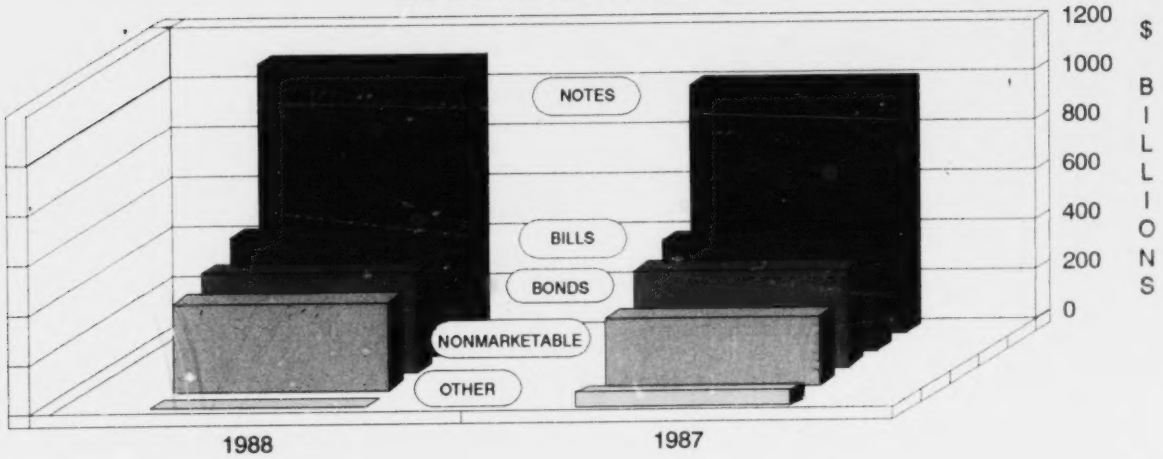
FEDERAL DEBT HELD BY THE PUBLIC WITH INTEREST EXPENSE, FY 1978-88



The public debt table which follows reflects information on the borrowing of the Federal Government needed to finance the Government's operations. This table supports the balance sheet caption, "Debt issued under borrowing authority," which is shown net of intragovernmental holdings and unamortized premium or discount. Intragovernmental holdings represent that portion of the total Federal debt held by Federal entities, including the major trust funds.

The distribution of 1988 net borrowing from the public by major source category is grapnically depicted.

NET BORROWING BY MAJOR SOURCE CATEGORY



Summary of Public Debt Outstanding as of September 30, 1988 and 1987 [1]

	1988		1987	
	Average interest rate (percent)	Total debt ($ bil.)	Average interest rate (percent)	Total debt ($ bil.)
Marketable				
Bills	7.329	389.0	6.340	371.3
Notes	8.848	1,086.1	9.056	1,003.0
Bonds	10.220	298.9	10.330	273.3
	8.770	1,774.0	8.575	1,647.6
Nonmarketable				
Foreign government series	7.498	6.3	6.877	4.3
Government account series	9.523	.6	6.997	.8
U.S. savings bonds	7.076	106.2	7.309	97.0
Other	8.409	148.0	5.907	129.8
	7.841	261.1	6.772	231.9
Other				
Agency series	-	.0	7.250	3.0
Other	8.830	.3	8.695	17.5
	8.830	.3	7.972	20.5
Total		[2] 2,035.4		[2] 1,900.0

[1] Administered by the Bureau of the Public Debt, Department of the Treasury.

[2] Net of intragovernmental holdings of $566.9 billion and $450.3 billion, respectively, including unearned premiums and discounts.

Types of marketable securities

Bills--Short-term obligations issued with a term of 1 year or less.

Notes--Medium-term obligations issued with a term of at least 1 year, but not more than 10 years.

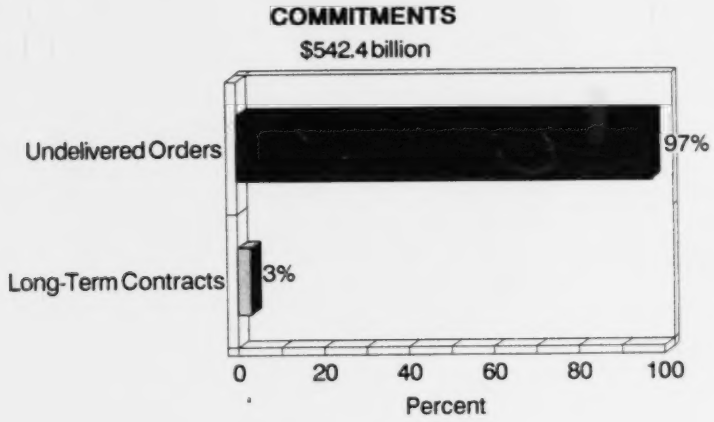
Bonds--Long-term obligations of more than 10 years.

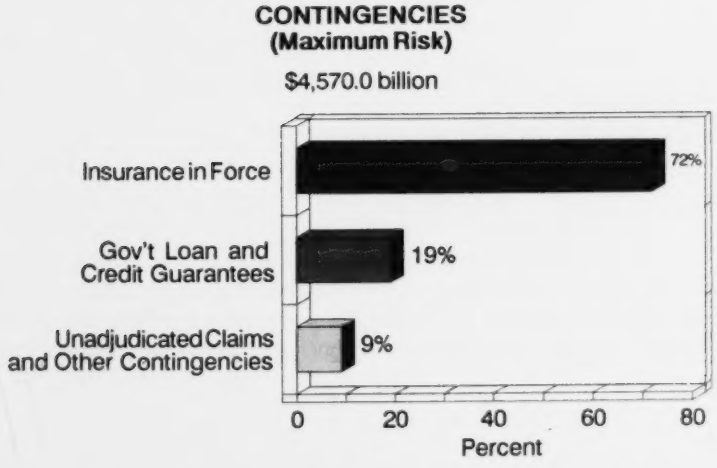
COMMITMENTS AND CONTINGENCIES

Commitments are long-term contracts for which appropriations have not been provided by the Congress and undelivered orders which represent obligations.

A contingency is a liability involving uncertainty as to a possible loss to the Government that will be resolved when one or more future events occur or fail to occur. If the future event or events are likely to occur and the amounts can be reasonably estimated, the liabilities are reported in the Statement of Financial Position under "Other liabilities." Contingencies within the Federal Government result from a number of sources including loan and credit guarantees, insurance programs, and unadjudicated claims.

In FY 1988, total commitments amounted to $542.4 billion and total contingencies amounted to $4,570.0 billion. Total contingencies represent the maximum risk of exposure without regard to probability of occurrence and without deduction for existing and contingent assets which would be available to offset potential losses. The charts below show the percentage distribution of 1988 commitments and contingencies by source category.





The table that follows shows commitments and contingencies by type. For contingencies, the maximum risk that the Government is exposed to is shown.

Commitments and Contingencies of the United States Government for the Years Ended September 30, 1988 and 1987

($ billions)

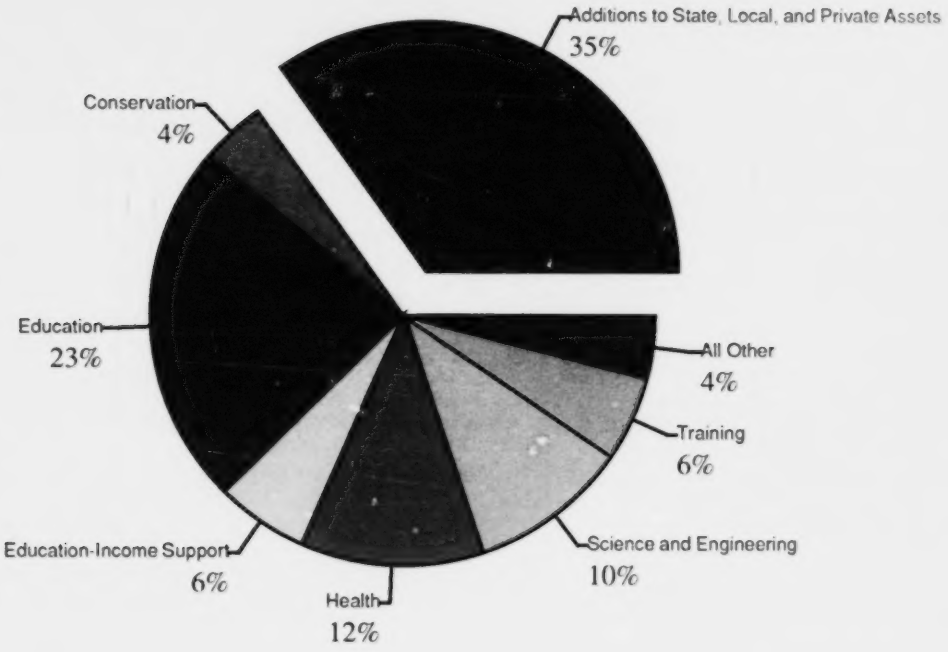
	Amounts outstanding	
	1988	1987
Commitments		
Long-term contracts		
Tennessee Valley Authority	5.7	6.7
Defense	5.5	1.8
General Services Administration	3.0	2.9
U.S. Postal Service	1.9	1.4
Energy	.4	.3
Other	.8	.4
Subtotal	17.3	13.5
Undelivered orders		
Housing and Urban Development	195.1	202.3
Defense	167.6	173.6
Funds appropriated to the President	36.2	37.2
Transportation	33.4	34.5
Health and Human Services	31.8	24.2
Other	61.0	57.1
Subtotal	525.1	528.9
Total commitments	542.4	542.4
Maximum risk exposure for contingencies		
Government loan and credit guarantees		
Housing	673.9	650.0
Veterans benefits	65.2	65.9
Education	53.1	48.5
Farm ownership and rural development	10.1	7.2
Other	86.3	73.4
Subtotal	888.6	845.0
Insurance in force		
Federal Deposit Insurance Corporation	1,682.8	1,605.7
Federal Savings and Loan Insurance Corporation	972.5	898.0
Transportation	201.8	162.2
Federal Emergency Management Agency	168.8	158.7
National Credit Union Administration	157.3	148.7
Nuclear Regulatory Commission	72.5	87.5
Other	36.5	59.8
Subtotal	3,292.2	3,120.6
Unadjudicated claims		
Energy	304.2	10.1
Transportation	39.6	40.0
Other	21.7	25.4
Subtotal	365.5	75.5
Other contingencies		
Veterans benefits	10.1	14.1
Multilateral development banks	4.3	4.4
Other	9.3	10.4
Subtotal	23.7	28.9
Total	4,570.0	4,070.0

ADDITIONS TO NON-FEDERAL ECONOMIC RESOURCES

The following chart indicates the ways in which the Government uses its resources to add to the physical and human resources of the Nation without acquiring physical assets.

FISCAL 1988 ADDITIONS

Total: $69.0 billion



The table which follows shows the amounts of these expenditures. Some of these investment-type expenditures, while not adding to the Federal assets, add to the assets of State and local governments or private institutions, and all enhance the future productivity of the Nation.

Additions to State, local, and private assets include construction grants for highways, hospitals, and airports, subsidies to the merchant fleet, and conservation projects, which increase the value of private farmland and water resources. Other developmental expenditures reflect current Federal expenditures and grants which will benefit the Nation in future years by increasing productivity or well-being. These include research and development costs and education and training.

Additions to Non-Federal Economic Resources for the Years Ended September 30, 1988 and 1987

($ billions)

	1988	1987
Additions to State, local, and private assets		
Community and regional development	4.0	4.0
Environment	2.8	3.2
Transportation		
Highways and mass transit	16.1	15.0
Rail and air	.8	.9
Other	.3	.3
Total additions	24.0	23.4
Other developmental expenditures		
Agriculture	1.0	.9
Conservation	2.9	3.0
Economic development	.4	.3
Education	16.2	15.2
Education-income support	4.1	4.0
Environment	.3	.3
Health	8.1	7.0
Science and engineering	7.1	6.4
Training	3.8	3.7
Transportation	.3	.3
Other	.8	.7
Total developmental expenditures	45.0	41.8
Total investment outlays	69.0	65.2

Source: *Budget of the United States Government, Fiscal Year 1990.*

EFFECT OF INDIVIDUAL AND CORPORATE TAX BENEFITS ON FEDERAL REVENUES

The following table is designed to show the revenue losses attributable to tax law provisions that allow special exclusions, exemptions, or deductions from gross income or provide special credits, tax rates, or deferrals. The schedule shows the approximate cost of tax benefits.

Revenue loss estimates do not take into account the additional resources, if any, that would be required to provide the same after-tax incentives if the expenditure program were administered as a direct outlay rather than through the tax system. These revenue loss estimates are not equivalent to estimates of the increase in Federal receipts that would result from the repeal of tax expenditure provisions.

Some minor distortions may have occurred since data presented have been condensed for purposes of this report. For further information, refer to "Special Analysis G: Tax Expenditures" in *Special Analyses, Budget of the United States Government* for fiscal years 1989 and 1990.

Effect of Individual and Corporate Tax Benefits on Federal Revenues for Tax Years 1988 and 1987

($ billions)

	Estimated amount of revenue loss	
	1988	1987
Income exclusions		
Capital gains at death	11.5	5.7
Disability and retirement benefits (private)	60.1	67.9
Social security benefits	17.4	18.5
Education allowances (scholarships and GI benefits)	1.3	.9
Foreign earnings and investment incentives (income earned abroad)	4.3	4.0
Interest and dividends (State and local bonds and debt, and life insurance)	26.6	29.3
Medical care and insurance (employer premiums paid)	30.1	24.6
Payroll benefits and allowances (group life, accident, and unemployment)	4.9	5.1
Other (age 55 or over credit on home sales)	6.2	5.9
Income deferrals		
Interest on U.S. saving bonds	.9	.9
Real estate (home sales)	4.0	2.6
Foreign earnings (foreign sales corporations)	.1	.2
Other deferrals		
Taxes (shipping companies)	.2	.1
Deductions and credits		
Agriculture related (capital outlays and gains on certain income)	.5	.6
Contributions (charitable and political)	13.5	15.6
Earned income	,1.0	5.9
Employee stock ownership plans (funded through investment and tax credits)	.4	.7
Excess bad debt reserves (financial institutions)	.1	.4
Exemptions (credit unions)	.2	.2
Foreign earnings (corporations doing business in U.S. possessions)	1.8	1.9
Interest (mortgage and consumer)	40.3	46.6
Investments (commercial capital gains, credits, other investment incentives, construction period interest, and expensing developmental costs)	14.1	80.7
Medical	2.0	3.2
Mining and timber (capital gains treatment of royalties and certain income)	1.1	1.3
Old-age, disability, and other personal exemptions	2.2	3.6
Other (deductions of motor carrier rights, certain adoption expenses, and energy credit for intercity buses)	1.5	*
Property damages and losses (casualty losses)	.3	.3
State and local property tax and other taxes	27.4	32.8
Work incentives (employment credits under work programs) and dependent care	3.7	3.6
Accelerated depreciation (rental housing, buildings other than rental housing, and machinery and equipment)	24.4	13.8

* Less than $50 million.

OPEN-ENDED PROGRAMS AND FIXED COSTS

The Government commits itself to provide services by passing laws that make spending mandatory. Since a significant amount of future spending is fixed by law, it is very probable that the Government will pay for these programs in future years. Listed below are the programs for fiscal years 1988 and 1987 that can be terminated only if the laws are changed. For further information, refer to the summary table entitled "Controllability of Outlays, 1988-90" in the *Budget of the United States Government, Fiscal Year 1990*.

Open-ended Programs and Fixed Costs, Fiscal Years 1988 and 1987
($ billions)

	1988	1987
Payments for individuals		
Social security and railroad retirement	220.3	208.6
Federal employees' retirement insurance	59.3	55.2
Unemployment assistance	13.8	15.7
Assistance to students	3.9	3.7
Food and nutrition assistance	4.3	4.1
All other	2.9	2.9
Medical care	114.7	105.9
Public-assistance-related programs	28.8	25.7
	448.0	421.8
Net interest	151.7	138.6
General revenue sharing	*	.1
Farm price supports	12.2	22.4
Other open-ended programs and fixed costs	8.7	1.3
Total	620.6	584.2

* $50 million or less.

FEDERAL OBLIGATIONS

"Obligations" are the basis on which the use of funds is controlled in the Federal Government. They are recorded at the point at which the Government makes a firm commitment to acquire goods or services and are the first of the four key events--order, delivery, payment, and consumption--which characterize the acquisition and use of resources. In general, they consist of orders placed, contracts awarded, services received, and similar transactions requiring the disbursement of money. All intragovernmental items have been eliminated.

The obligational stage of Government transactions is a strategic point in gauging the impact of the Government's operations on the national economy, since it frequently represents for business firms the Government's commitment which stimulates business investment, including inventory purchases and employment of labor. Disbursements may not occur for months after the Government places its order, but the order itself usually causes immediate pressure on the private economy.

For more detail refer to the *Treasury Bulletin*, March 1989.

Gross Obligations of the Federal Government by Object Class, as of Sept. 30, 1988 and 1987

($ millions)

	1988	1987
Personal services and benefits		
Personnel compensation	139,751	135,815
Personnel benefits	8,499	8,910
Benefits for former personnel	1,395	775
Contractual services and supplies		
Travel and transportation of persons	5,112	4,863
Transportation of things	7,124	7,039
Rent, communications, and utilities	11,273	10,445
Printing and reproduction	330	1,050
Other services	138,121	126,651
Supplies and materials	63,148	67,739
Acquisition of capital assets		
Equipment	74,846	77,365
Lands and structures	17,319	17,406
Investments and loans	32,032	34,374
Grants and fixed charges		
Grants, subsidies, and contributions	192,008	171,329
Insurance claims and indemnities	394,660	375,543
Interest and dividends	188,000	171,465
Refunds	871	931
Other		
Unvouchered	108	17
Undistributed U.S. obligations	9,734	4,344
Gross obligations incurred	1,284,331	1,216,061

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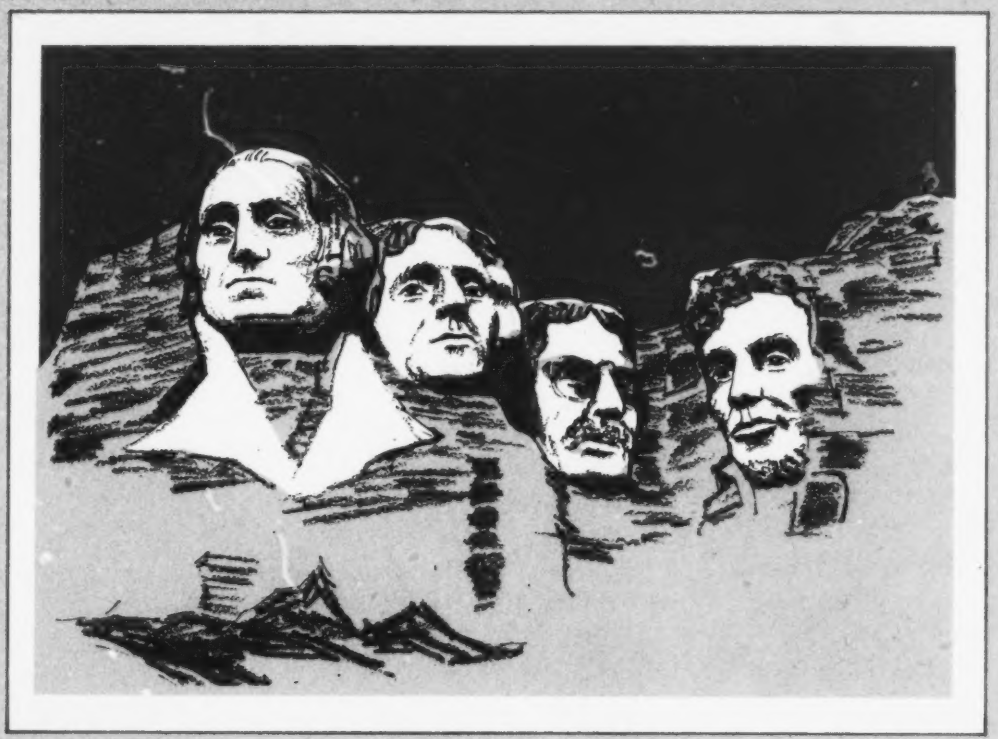

HIGHLIGHTS

- Gold holdings determined by market value
- Loans receivable decreased by nearly $26 billion
- Total contingencies totaled $4.6 trillion
- Liabilities amounted to $3.6 trillion

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